

Message Text

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70

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15

NSC-07 SS-20 STR-08 CEA-02 AF-10 EA-11 EUR-25 NEA-14

IO-14 AGR-20 FEA-02 SWF-02 DRC-01 /256 W

----- 052018

P 280117Z SEP 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 4027

UNCLAS MEXICO 8230

E.O. 11652: N/A

TAGS: EFIN MX IMF IBRD

SUBJ: MEETING OF LATIN AMERICAN GOVERNORS OF IMF/IBRD

REF: MEXICO 8150

PASS TREASURY

1. SUBJECT MEETING WAS CLOSED BUT SUMMARY ISSUED TO PRESS AT CONCLUSION. IN ADDITION, MEXICAN FINANCE MINISTER'S OPENING SPEECH AND PRESS CONFERENCE AT END RECEIVED SOME PLAY. EMBASSY UNABLE TO CONTACT PARTICIPANTS FOLLOWING MEETING, MOST OF WHOM DEPARTED FOR WASHINGTON FRIDAY A.M. LOPEZ PORTILLO ARRIVING WASHINGTON ON MONDAY. FOLLOWING REPORT BASED ON PRESS STORIES.

2. LATIN AMERICAN GOVERNORS DECIDED TO OPPOSE A NEW WORLD BANK PROGRAM THAT GIVES PRIORITY TO PROJECTS OF A SOCIAL CHARACTER AND DISTRIBUTES LOANS ON A GEOGRAPHICAL BASIS, AS THIS WOULD IMPLY A REDUCTION IN LOANS FOR DEVELOPMENT OF ENERGY, COMMUNICATIONS, AGRICULTURE AND BASIC INDUSTRY. THEY AGREED TO REQUEST WORLD BANK TO INCREASE THE RESOURCES OF ITS AFFI-
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LIATED INSTITUTIONS, BUT WERE CONCERNED ABOUT INCREASED INTEREST

RATES ON BANK LOANS AS THIS CREATES ADDITIONAL INFLATIONARY PRESSURES.

3. REGARDING THE FUND, THEY AGREED THAT INFLATION IS A MAJOR PROBLEM THAT CAN AGGRAVATE SOCIAL TENSIONS, AND THAT IS MORE HARMFUL TO POOR THAN TO RICH NATIONS. THEY SUGGESTED MECHANISMS TO CHANNEL SURPLUS FUNDS, ESPECIALLY TO POORER COUNTRIES, AND ON REASONABLE TERMS. THE GOVERNORS SUPPORTED THE INTERIM COMMITTEE OF IMF GOVERNORS AND THE JOINT COMMITTEE ON THE TRANSFER OF REAL RESOURCES "WHICH WAS ORIGINALLY PROPOSED BY MEXICO." THE INCREASED TRANSFER OF REAL RESOURCES TO DEVELOPING NATIONS WILL BE A MAJOR CONCERN.

4. IN HIS OPENING SPEECH LOPEZ PORTILLO SAID WORLD ECONOMY FACING MOST SERIOUS PROBLEMS IN 25 YEARS. HE BLAMED CURRENT BALANCE OF PAYMENTS DISEQUILIBRIUM ON WIDESPREAD USE OF FLOATING EXCHANGE RATES, EXCHANGE RATE ADJUSTMENTS REACHED IN EARLY 1973, CHANGE IN RELATIVE PRICES OF GOODS TRADED INTERNATIONALLY, AND INCREASES IN PETROLEUM PRICES. HE NOTED THAT OPEC COUNTRIES' A SURPLUS FUNDS HAVE NOT YET BEEN ADEQUATELY OR EFFECTIVELY RECHANNELED AND DEFICIT COUNTRIES, PARTICULARLY THOSE OF THE THIRD WORLD, ARE ENCOUNTERING ENORMOUS PROBLEMS FINANCING THEIR DEVELOPMENT. HE CALLED ON LATIN AMERICA AND THE REST OF DEVELOPING WORLD TO ADOPT A COMMON STRATEGY AND REQUIRE FUNDAMENTAL GUARANTEES (UNSPECIFIED) FROM INDUSTRIALIZED COUNTRIES. WHILE CALLING FOR A VIGOROUS FIGHT AGAINST INFLATION, HE SAID THIS SHOULD NOT BE PERMITTED TO AFFECT SOCIAL AND DEVELOPMENT OBJECTIVES. LOPEZ PORTILLO CALLED ON IMF TO INCREASE ITS CREDIT LINES AND THE TRANSFER OF REAL RESOURCES TO DEVELOPING NATIONS AND HOPED THAT IBRD WOULD INCREASE ITS OWN RESOURCES AND ITS LENDING.

5. IN PRESS CONFERENCE FOLLOWING MEETINGS, LOPEZ PORTILLO MADE A PLUG FOR DRAFT CHARTER OF ECONOMIC RIGHTS AND DUTIES OF STATES, CALLED FOR INCREASED TRANSFER OF REAL RESOURCES PARTICULARLY IN LIGHT OF HIGHER OIL PRICES WHICH HAVE HURT POOR COUNTRIES MORE THAN RICH. HE SAID THIS WOULD BE MAJOR TASK FOR JOINT COMMITTEE ON TRANSFER OF REAL RESOURCES.

6. ROBERTO I. BARQUERO, PRESIDENT OF THE CENTRAL BANK
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OF NICARAGUA WILL SPEAK FOR LA/IMF GOVERNORS AND JAIME MONCAYO, ECUADORIAN MINISTER OF FINANCE, WILL SPEAK FOR BANK GOVERNORS. CANDIDATES FOR EXECUTIVE DIRECTORS OF FUND WILL BE FRANCISCO SUAREZ OF MEXICO, ALEXANDER KAFKA OF BRAZIL, AND ROBERTO GALVADO OF ARGENTINA. BANK EXECUTIVE DIRECTOR CANDIDATES WILL BE LUIS BARRIOS OF URUGUAY AND ERNESTO FRANCO OF COLUMBIA.

7. LATIN AMERICAN GOVERNORS ALSO PAID CALL ON PRESIDENT ECHEVERRIA WHO WARNED THAT THE PRESENT WORLD ECONOMIC DISEQUILIBRIUM COULD HAVE SERIOUS REPERCUSSIONS AND MADE A PITCH FOR CHARTER OF ECONOMIC RIGHTS AND DUTIES.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INFLATION, BANKERS, MEETINGS, SPEECHES, PRESS CONFERENCES, OPPOSITION PARTIES, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974MEXICO08230
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740274-0082
From: MEXICO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974095/aaaaadsj.tel
Line Count: 120
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: MEXICO 8150
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 16 JUL 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 JUL 2002 by maustmc>; APPROVED <04 FEB 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MEETING OF LATIN AMERICAN GOVERNORS OF IMF/IBRD
TAGS: EFIN, MX, XM, IMF, IBRD, (LOPEZ PORTILLO, A M)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005